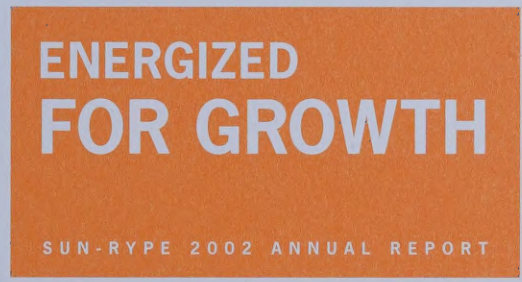




Winspear Business Reference Library
University of Alberta
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Edmonton, Alberta T6G 2R6



Highlights

Operating

Increased net sales 8.7% to a record \$104.1 million

Increased already dominant share of western Canada's juice/drinks/nectars market

Won the Canadian Council of Grocery Distributors New Products Grand Prix Award and achieved 75% national distribution for Fruit & Veggie bar

Installed state-of-the-art food processing lines, completing the expansion and modernization of manufacturing operations

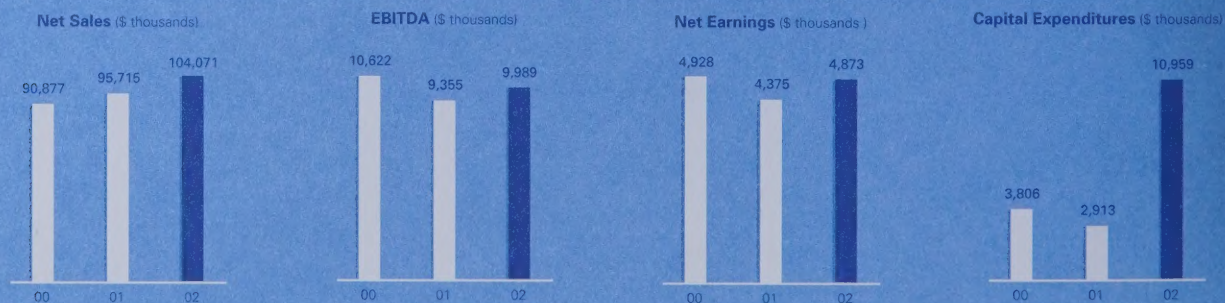
Earned Hazardous Analysis Critical Control Point ("HACCP") recognition

Launched Calcium Enriched Orange Juice

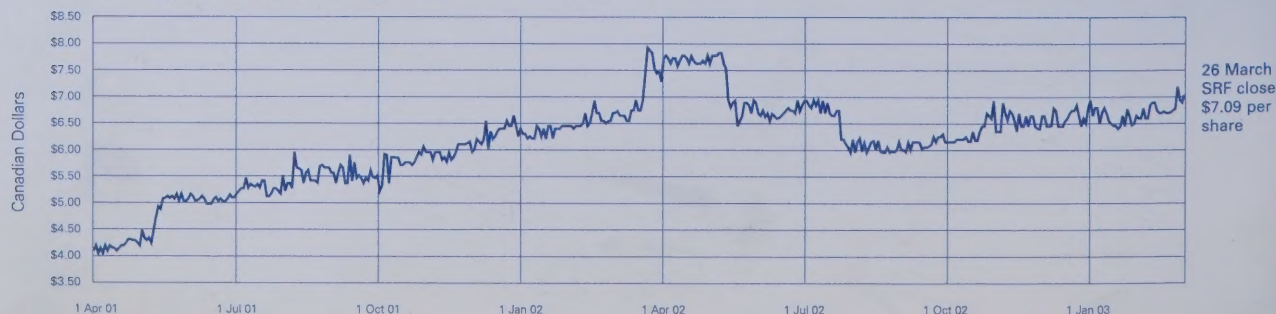
Financial (in thousands of dollars)

	2002	2001 (restated)	% increase
Net sales	\$ 104,071	\$ 95,715	8.7
EBITDA ¹	9,989	9,355	6.8
Net earnings	4,873	4,375	11.4
Capital expenditures	10,959	2,913	276.2

¹ Earnings before interest, income taxes, depreciation and amortization



Sun-Rype Share Price April 1, 2001 to March 26, 2003 inclusive



Profile

Based in the heart of British Columbia's fruit growing district, Sun-Rype Products Ltd. is a leading Canadian manufacturer and marketer of juice-based beverages and 100% all natural fruit snacks with annual sales of more than \$100 million.

Energized for Growth

For more than 56 years, Sun-Rype's all natural fruit products have been closely associated with vitality and healthy growth. Such qualities also reflect the company itself, where continuous investment – in the strength of its brand, in the development of innovative products, and in the efficiency of its manufacturing operations – has generated an unprecedented platform for growth in the years ahead.

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Letter to Shareholders

SUN-RYPE TURNED IN ANOTHER STRONG PERFORMANCE IN 2002, GENERATING RECORD SALES RESULTS IN ITS FOOD AND BEVERAGE BUSINESSES WHILE BUILDING A LARGER FOUNDATION FOR PROFITABILITY AND GROWTH IN THE YEARS AHEAD.

Solid financial results

Sales were up 8.7% to a record \$104.1 million in 2002, driven by strong branded sales in 1-litre reclosable and 200 mL single-serve juice beverages, and increased beverage contract manufacturing. This increase was due to the modernization of our beverage processing and packaging equipment and the revitalization of our product portfolio in 2001. Growth in our fruit snack operations was driven primarily by our award-winning Fruit & Veggie bar line.

Equally important, we continued to manage our operations effectively. Gross profit, which is simply net sales less the cost of goods sold, reached \$36.5 million or 35.1% of sales in 2002 compared to \$34.7 million or 36.2% of sales in the previous year. This was a solid accomplishment given the increase in the price of our primary raw material, apples. In addition, we successfully navigated our way through several operational challenges. These included: temporary production and overhead inefficiencies associated with the revitalization of our beverage portfolio; constrained capacity and around-the-clock operation of the food production line for three months in early 2002; and the subsequent installation of new upgraded food production equipment late in the year.

As expected, selling, general and administrative expenses rose during the year – by 3.5% to \$26.6 million – as a result of increased sales and promotional costs partially offset by lower marketing costs, including product launch costs. Net earnings for 2002 reached \$4.9 million, an increase of 11.4% over last year.

A focused strategy in action

These results reflect our commitment to a three-part strategy for growth that has guided Sun-Rype's actions over the past few years. Simply stated, we aim to:

- Maintain and grow our market-leading brand in western Canada with strong vitality initiatives in core categories
- Extend the Sun-Rype brand into central and eastern Canada through the continued development of an innovative and wholesome snack food portfolio
- Enhance revenues and operating efficiencies through the development of our contract manufacturing business

A year of achievement

During the past 12 months, we continued to advance these objectives on several fronts. The revitalization of our beverage portfolio, which encompassed everything from new products and formulations to innovative package design, continued to yield excellent results. Contributing to this sales growth were numerous accomplishments that included a healthy increase in retail sales of both our flagship 1-litre Blue Label Apple Juice and our reformulated 100% juice Apple Blends.

In the past year, we also began to lay the foundation for a new scale of opportunity and growth in our increasingly important food business. As expected, growing demand for Sun-Rype's uniquely wholesome snack foods began to constrain capacity during the past year. Accordingly, we devoted significant energy to an \$8.5 million modernization of the Company's food operations. With full-scale production planned for March 2003, Sun-Rype's new processing facilities will deliver a superior product in terms of both flavour and texture. Improved production efficiencies will alleviate the capacity constraints experienced in 2002 and open the door for contract manufacturing opportunities.



Left to right:

Robert Dick, V.P., Manufacturing; **Gail Prichard**, Corporate Secretary; **Lawrence Bates**, President & C.E.O.; **Merv Geen**, Chairman; **Robert McGowan**, V.P., Finance & Administration, C.F.O.; **Brad Buchanan**, V.P., Sales & Marketing

In addition, Sun-Rype earned its Hazardous Analysis Critical Control Point ("HACCP") system recognition for the entire facility. An internationally recognized set of principles for controlling food safety, HACCP recognition has been adopted by the Canadian Food Inspection Agency ("CFIA") and will eventually become the standard for all food and beverage manufacturers in Canada. This raises Sun-Rype to the highest standards recognized worldwide and further strengthens our position as a contract manufacturer.

The best is yet to come

Today, we stand ready to embrace the future on an unprecedented platform for growth. We possess a strong brand, a leading position in growing markets and modern, efficient operations with the capacity to meet new opportunities.

In April 2003, we are launching a complete revitalization of our original 100% fruit snack – Fruit to Go – with new formulations, flavours and updated packaging. Aided by a full-scale consumer support program and taking advantage of recent improvements to our manufacturing facilities, we are positioned to pursue new sales opportunities and improve the profitability of this flagship product in the year ahead.

For the first time, we have also begun to manufacture our own Sun-Rype Organic fruit snacks, something we've been doing for contract manufacturing customers in this fast-growing market for the past few years.

Going forward, we will keep the product pipeline flowing. Our shelf-stable, Calcium Enriched Orange Juice – introduced in July 2002 – was our initial foray into a "functional" beverage market that is experiencing strong growth. Hitting the shelves right now is our remarkable new line of Fruit & Veggie juices. This product answers the market's growing thirst for nutritious, great-tasting 100% juices and capitalizes on the consumer franchise we have already built with our Fruit & Veggie bars.

Equally significant, Sun-Rype has never been better positioned to generate the additional sales and enhanced manufacturing efficiencies made possible by contract manufacturing. During the past year, our recently modernized beverage operations began to fulfill production requirements for contract manufacturing customers and we have entered into similar agreements with other major customers that will translate into incremental sales growth. The subsequent modernization of our food operations was completed with similar purposes in mind and, based on initiatives already underway, we are aggressively pursuing opportunities for the contract manufacturing of snack foods during the next 12 months.

The people of Sun-Rype

In closing, we'd like to thank all of Sun-Rype's employees, many of whom are direct shareholders in the Company, for the energy and commitment they continue to invest in our Company. Their efforts enabled Sun-Rype to post excellent results in 2002 while setting the stage for a new scale of opportunity and growth.

Sincerely,

Lawrence Bates
President & Chief Executive Officer
February 27, 2003

Merv Geen
Chairman

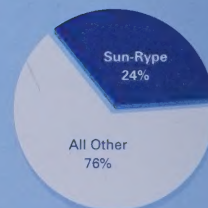
Powerful Foundations

BUILT ON A 56-YEAR HERITAGE OF QUALITY AND TRUST, TODAY'S SUN-RYPE IS A DYNAMIC INDUSTRY LEADER WITH A POWERFUL CONSUMER BRAND, DOMINANT MARKET SHARES, MODERN PRODUCTION FACILITIES AND A GROWING PORTFOLIO OF JUICES, JUICE BLENDS AND 100% ALL NATURAL FRUIT SNACKS.

Revitalized beverage portfolio strengthens market leadership

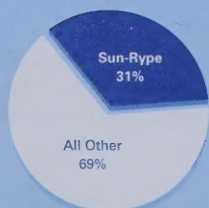
What's more, the investments we've made in our business during the past two years have given us a substantially larger platform for growth and profitability. Following the installation of state-of-the art beverage processing and packaging equipment in 2001, Sun-Rype launched a complete revitalization of its beverage product line that continued throughout the past year. This initiative improved the number and quality of our product offerings, enhanced the design and functionality of our packaging and helped to strengthen an already dominant position in the JDN (juice/drinks/nectars) segment of western Canada's beverage market. Consumer response to our new reclosable 1-litre package was tremendous; retail sales growth of Sun-Rype's 1-litre products outpaced the rest of the family-sized category by more than double during 2002.¹

Total JDN
Market Share (vol.)
Western Canada¹



Size of market: 242 million litres

Total Fruit Snacks & Leathers
Market Share (\$) National¹



Size of market: \$109 million

Fruit & Veggie bar helps power fruit snacks sales

We've been equally energetic in strengthening the foundations of our faster growing, higher margin snack food business. In late 2001, Sun-Rype launched the award-winning Fruit & Veggie snack bar in one of its most successful product launches ever. A truly unique combination of great taste and wholesome goodness, Fruit & Veggie bars have been a runaway hit with busy, health-conscious consumers because they deliver three of the five daily servings of fruit and vegetables recommended by Canada's Food Guide. Fruit & Veggie bars achieved 75% national distribution in 2002, an impressive accomplishment given Sun-Rype's relatively small base of products. In addition, Fruit & Veggie bars also achieved a 6% market share, bringing Sun-Rype's total market share to 31% in the fast-growing fruit snacks and leathers category.

➔ Fruit & Veggie takes a bow

Sun-Rype's new Fruit & Veggie snack bar earned the Canadian Council of Grocery Distributors' coveted Grand Prix Award in 2002 – an honour that's extended to promising new products whose unique attributes translate into solid market potential.

➔ Vitality and growth

Sun-Rype's revitalized beverage portfolio continued to power the company's growth in 2002. The recent modernization of manufacturing and packaging facilities has helped broaden our product line, improve package design and functionality, and increase production efficiencies.



➔ A healthy partnership

Sun-Rype launched a fully integrated consumer awareness campaign for Fruit & Veggie bars in 2002 that combined strong media promotion with extensive product sampling. Playful ads like this one depicting the marriage of fruit and vegetables generated an enthusiastic response from consumers.

Abundant Opportunity

BUOYED BY FAVOURABLE INDUSTRY FUNDAMENTALS AND ARMED WITH INCREASINGLY SOPHISTICATED RESEARCH, PRODUCT DEVELOPMENT AND MARKETING CAPABILITIES, SUN-RYPE HAS NEVER BEEN BETTER POSITIONED TO MEET THE GROWING DEMAND FOR ITS NATURALLY GREAT-TASTING PRODUCTS.

Our brand is building momentum

Healthy nutrition is more than a passing fancy for most North American consumers; it's rapidly becoming a way of life. Today's heightened awareness of dietary quality – coupled with our aging population – has shifted consumer tastes toward naturally wholesome fruit and vegetable products. At Sun-Rype, we're continuing to build on our reputation with innovative products such as our delicious Fruit & Veggie juices. Drawing on the benefits of exhaustive consumer trials, we discovered that Fruit & Veggie juices' superior taste and unique vegetable content were considered a real plus, and that consumers were more likely to buy the product because of the Sun-Rype name. Launched in February 2003 to our retail grocery customers, Fruit & Veggie juice was met with extremely positive trade reaction. The same predicative approach to consumer research has helped identify other promising product opportunities such as Sun-Rype's new line of Organic fruit snacks and Calcium Enriched Orange Juice.



↑ A healthy addition

The launch of Calcium Enriched Orange Juice adds to Sun-Rype's ever-growing lineup of healthy products. As awareness of general health issues grows, research shows that more and more consumers are seeking out food products that contribute to overall health.



A capable and trusted partner

While we expect to experience healthy growth in our branded food and beverage business, we are also continuing to capitalize on abundant opportunities in contract manufacturing. In today's hyper-competitive retailing environment, food marketers are increasingly inclined to outsource production to trusted specialists like Sun-Rype. Based on the strength of our research and development expertise, modern production capabilities, HACCP recognition, and hard-earned reputation for quality, we are confident that our list of contract manufacturing customers will keep growing. As it does, Sun-Rype will benefit from additional opportunities to maximize revenues and enhance manufacturing efficiencies through higher volume throughputs.



Ready to grow

After five straight years as Canada's best selling 100% fruit snack,¹ Fruit to Go is ready to keep on growing. In fact, following recent manufacturing improvements, and one of the most sophisticated consumer research programs in Sun-Rype's history, a completely revitalized Fruit to Go portfolio will hit stores across Canada in April. Featuring fresher fruit taste, improved texture and vibrant new packaging that appeals to kids and parents alike, we are aiming to significantly boost sales of this already popular product over the next year.



Another winning combination

Thanks to Sun-Rype's new Fruit & Veggie juices, sound nutrition never tasted so good. In fact, each 250 mL serving of these delicious juices contains two full servings of fruits and vegetables. It's 100% juice with no sugar added and each variety contains the natural goodness of carrot, celeriac, lettuce, beet, parsley, watercress and spinach.

A natural move for Sun-Rype

Sun-Rype introduced its own branded offering to the organic fruit snacks market in 2003 – a natural move that builds on the company's reputation for quality and wholesome goodness. Organic foods represent an increasingly mainstream market that is expected to experience 20% growth during the next few years.²

Canadian Organic Retail Sales²
(in billions)



Management's Discussion and Analysis

The following management's discussion and analysis (MD&A) provides a review of current activities and a comparison of the financial position and results of operations of Sun-Rype Products Ltd. as at and for the years ended December 31, 2002 and 2001. It should be read in conjunction with the financial statements and the accompanying notes.

Operating Results and General Outlook

In 2002, Sun-Rype achieved record sales of \$104.1 million (2001 - \$95.7 million; see Financial Statement Note 2a), earnings of \$4.9 million (2001 - \$4.4 million; see Financial Statement Note 2b) and cash flow from operating activities of \$11.9 million (2001 - \$4.0 million). The Company has continued its strategy of focusing capital investment on long-term, value-added projects, investing \$17.7 million over the past three years. These activities revitalized processing and packaging for the beverage product lines (completed in 2001), upgraded food processing and packaging technology and increased capacity. Over the same three-year period, cash generated from operating activities of \$19.6 million was sufficient to eliminate bank debt and fund the capital investment and new product launch programs.

Sun-Rype's contract manufacturing business also grew in 2002, primarily in beverages. Contract manufacturing sales growth for food products was limited by capacity constraints of the former production equipment.

In 2003, management will focus on food products – achieving efficiencies from the new production and packaging equipment, implementing a major marketing program after having refreshed the packaging on Fruit to Go bars and aggressively pursuing contract manufacturing opportunities.

Key Highlights

- Sales reached a record level of \$104.1 million
- Earnings after tax were \$4.9 million
- Cash flow from operating activities was \$11.9 million
- Capital investment (including new food equipment) totaled \$11.0 million
- New Fruit to Go processing technology and packaging line was installed

Sales and Profitability Review

The Company's sales were \$104.1 million in 2002, increasing 8.7% compared to 2001 sales of \$95.7 million. Strong branded sales in the new 1-litre reclosable and 200 mL single-serve juice beverages, as well as growth in beverage contract manufacturing, were the main reasons for the increase in sales. In terms of product mix, beverage products were 73.0% of total sales for the year 2002 (2001 - 71.0%), while food products were 27.0% of total sales (2001 - 29.0%).

Gross profit in 2002 was \$36.5 million or 35.1% of sales (2001 - \$34.7 million or 36.2% of sales). The \$1.8 million increase was a result of higher sales, partially offset by increased raw material costs (primarily apples and juice concentrates).

Selling, general and administrative expenses for 2002 were \$26.6 million, \$0.9 million higher than last year. As a percentage of sales, these expenses decreased to 25.5% in 2002 from 26.8% in 2001. Overall, sales costs were up \$1.2 million as a result of increased promotion activity while marketing costs were down \$0.7 million due to lower product launch costs than last year. Administrative costs increased due mainly to a one-time \$0.3 million bad debt expense. During 2002, the Company elected to adopt a recent authoritative accounting guidance issued by the Financial Accounting Standards Board in the US, whereby certain sales discounts, promotions and product listing fees paid to customers, formerly included in selling,

general and administrative expenses, have been reclassified as a reduction of sales (see Financial Statement Note 2a).

Amortization of \$2.4 million was \$0.1 million higher than 2001. At December 31, 2002, management, to enhance transparency, changed from an accounting policy where certain marketing and product launch costs were capitalized and amortized over 36 months to a new policy where all of these costs are treated as a marketing expense or, if applicable, as a reduction of revenues in the period they are incurred. The impact of this policy change is discussed in Financial Statement Note 2b.

Product launch costs of \$0.9 million in 2002 (2001 - \$1.9 million) were expended as part of the marketing strategy to complete the beverage revitalization project in western Canada, the Fruit & Veggie bar launch nationally and new Calcium Enriched Orange Juice launched in western Canada. Management expects to continue new product development activity, with the annual amount of launch expenditures dependent upon market conditions, timing of entrance to market and other competitive factors.

In 2003, amortization costs for tangible assets are expected to increase as a result of the capital expenditure for the Fruit to Go processing and packaging equipment.

Interest expense was lower than 2001, with no long-term debt and few periods of short-term debt during the year. The Company expects interest expense to remain low in 2003 with favourable cash flows and ongoing lower debt levels.

Earnings before income taxes were \$7.5 million, up from \$6.9 million in 2001, a result of higher sales and gross profit levels partially offset by a lower gain on capital dispositions.

Income taxes averaged 34.6% of earnings (2001 - 36.8%). The difference in rates was primarily due to changes in current tax rates and the recognition of favourable prior years' income tax reassessments in 2002.

Net earnings were \$4.9 million in 2002 (2001 - \$4.4 million), which translates into basic earnings per share of \$0.46 (2001 - \$0.41) and diluted earnings per share of \$0.45 (2001 - \$0.41).

Quarterly Information (in thousands of dollars except per share amounts)

	2002 (as restated ¹)				2001 (as restated ¹)			
	Q4	Q3,	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	\$ 27,010	\$ 25,391	\$ 25,975	\$ 25,695	\$ 24,573	\$ 23,094	\$ 22,964	\$ 25,084
Net earnings	1,563	1,127	1,022	1,161	337	561	1,599	1,878
Earnings per share								
Basic	0.14	0.11	0.10	0.11	0.03	0.05	0.15	0.18
Diluted	0.14	0.11	0.09	0.11	0.03	0.05	0.15	0.18

Cash Flows and Working Capital

Sun-Rype generated cash from operating activities of \$11.9 million in 2002 (2001 - \$4.0 million), which enabled full funding of an \$11.0 million capital investment program, as well as the creation of a cash surplus as at December 31, 2002.

Cash provided by operating activities, before changes in non-cash working capital items, was \$7.9 million in 2002 (2001 - \$6.5 million). Changes in non-cash working capital items resulted in a \$4.1 million cash inflow during 2002, compared to a \$2.5 million cash outflow in 2001 (see Financial Statement Note 13).

¹ Quarterly information for 2002 and 2001 has been restated to record a reclassification of sales and selling expenses and a change in accounting policy to expense marketing and product launch costs when incurred. See Financial Statement Note 2.

Management's Discussion and Analysis

A smaller apple crop in 2002, combined with heavy customer orders prior to an announced price increase, resulted in lower inventory levels than last year, which provided \$2.6 million in cash inflows. By December 2002, the Fruit to Go equipment line was essentially installed; however, payments scheduled for 2003 were a key contributor to higher accounts payable levels, which provided \$1.7 million in cash inflows.

Comparatively, at December 31, 2001, there was a build-up of finished goods inventory to support the beverage equipment changeover and higher accounts receivable due to timing of invoicing in December 2001, resulting in cash outflows of \$3.0 million and \$2.2 million, respectively. Increased accounts payable, higher because of capital equipment projects in 2001, created a cash inflow of \$3.6 million.

Working capital in 2002 was \$10.5 million (2001 - \$13.5 million). The \$3.0 million decrease is attributable to the large capital expenditure program funded out of cash generated from operating activities. In 2003, operations are expected to provide sufficient cash flows to cover planned capital investments.

Capital Investment and Financing Requirements

Capital investment was \$11.0 million in 2002 (2001 - \$2.9 million). The single largest expenditure was \$8.5 million for the Fruit to Go equipment and sustaining capital made up the remainder of spending. Comparatively, 2001 capital investment of \$2.9 million was the result of spending on new Tetra Pak aseptic beverage processing and packaging equipment and a smaller amount of sustaining capital. During 2003, management expects capital investment of approximately \$2.6 million, including upgrading smaller equipment items, sustaining capital projects and \$0.5 million to complete the food equipment project.

Sun-Rype had no long-term bank debt for the latter part of 2001 and all of 2002. The Company's short-term credit facility (\$15.0 million available) was used only occasionally in 2002, during peak periods of working capital demand. By December 31, 2002, cash generated from operating activities was sufficient to create a cash surplus of \$1.9 million.

The Company has maintained a normal course issuer bid program ("NCIB") since 1999. In 2002, the Company repurchased and cancelled 1,000 shares at a cost of \$6,400 (2001 - nil). The exercise of stock options and issuance of new shares provided cash inflows of \$43,000 in 2002 (2001 - \$280,000).

Balance Sheet

At December 31, 2002, the Company had a cash position of \$1.9 million (2001 - \$1.0 million), finished goods inventories at a temporarily low level of \$4.0 million (2001 - \$6.9 million), and accounts receivable of \$10.9 million (2001 - \$10.9 million). Income taxes receivable grew from \$1.0 million to \$1.4 million due to higher tax installments during 2002 and a favourable reassessment of prior years' tax returns. Property, plant and equipment grew from \$15.4 million in 2001 to \$23.9 million in 2002, a result of bringing the new Fruit to Go equipment line on stream.

Accounts payable of \$14.3 million (2001 - \$12.6 million) were higher than usual because of the payment schedule for the new Fruit to Go equipment. Future income taxes increased from \$0.7 million to \$1.0 million, a result of the difference between book depreciation and income tax capital cost allowances claimed on fixed assets.

Risks

Competition

Sun-Rype competes with a number of large food and beverage producers, some of which may have greater financial resources than Sun-Rype. To the extent these competitors are able to produce competitive products and utilize larger financial, distribution and marketing resources, Sun-Rype may be required to make significant expenditures of an operational nature to improve or even maintain its competitive position.

The Company's long-term future is dependent upon its ability to continue to develop new products that can successfully compete in the grocery market under the Sun-Rype brand. The success of newly developed products is dependent upon the Company's ability to maintain consumer brand awareness, loyalty and its ability to maintain an adequate level of distribution within the major grocery chains in Canada.

Supplies

Availability of process grade apples is dependent upon harvest conditions in British Columbia and Washington State. The percentage of process grade apples acquired from Washington State varies from year to year depending on local crop production and the timing of the supply of specific apple varieties. In years of low apple availability, it is possible to substitute pure apple juice with apple juice concentrate in certain blended juice products.

Apple and Apple Concentrate Prices

Process apple prices are related to local supply and to world apple juice concentrate prices. High apple and apple juice concentrate prices can be recovered partially through higher product selling prices, based on limits of market and consumer acceptance and competition from other juice products.

Foreign Exchange

The Company purchases most of its fruit juice concentrates at prices denominated in US dollars. The volume of US dollar denominated purchases, converted to Canadian dollars, was approximately \$12.0 million in 2002 (2001 - \$10.0 million). Sun-Rype maintains a program of forward US dollar purchases when appropriate and also exports products to the United States, which partially offsets a portion of the foreign exchange risk.

From time to time, the Company purchases equipment or parts in Europe. In 2002, the Fruit to Go equipment project required foreign currency purchases denominated in Euros (equivalent to Cdn \$1.9 million) and Swiss francs (equivalent to Cdn \$3.4 million).

Environment

Sun-Rype maintains an active environmental program that reflects conscientious policies and regard for the environment. Audits are conducted annually (every third year by an external consultant) to ensure that appropriate management policies and practices toward waste management, recycling and re-use of products are maintained. Management is of the opinion that expenditures relating to current environmental requirements will not have a material adverse effect on the financial position or earnings of the Company.

Management's Responsibility

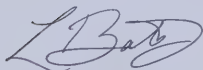
The management of Sun-Rype Products Ltd. is responsible for the preparation and integrity of the financial statements of the Company. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using management's best estimates and judgments where necessary. The financial information contained elsewhere in this annual report is consistent with that in the balance sheet, earnings and cash flow statements.

Sun-Rype Products Ltd. maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records are adequate and can be relied upon to produce financial statements in accordance with Canadian generally accepted accounting principles. The concept of reasonable assurance is based on the recognition that the cost of maintaining our system of internal accounting controls should not exceed benefits expected to be derived from the system. The system is supported by written policies and guidelines and is continuously reviewed.

Deloitte & Touche LLP, independent auditors, are retained to audit Sun-Rype Products Ltd.'s financial statements. Their audit is conducted in accordance with Canadian generally accepted auditing standards and provides an independent assessment that helps assure fair representation of the Company's financial position, results of operations and cash flows. Their opinion on the financial statements is published below.

The Board of Directors, through its Audit Committee, comprised of non-management directors, exercises a monitoring role in the Company's financial affairs and statements. The Committee meets with management regularly and the independent auditors as required. These meetings include discussions of internal accounting control and the quality of management and financial reporting. The Finance and Administration department of the Company and the independent auditors have full and free access to the Audit Committee.

Management recognizes its responsibility to conduct Company business in accordance with high ethical standards. Our policy statements and ongoing communications and review programs are designed to ensure this responsibility is fully carried out.



Lawrence Bates
President & Chief Executive Officer



Robert McGowan
Vice President Finance & Administration, Chief Financial Officer

Auditors' Report

To the Shareholders of Sun-Rype Products Ltd.

We have audited the balance sheets of Sun-Rype Products Ltd. as at December 31, 2002 and 2001 and the statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Vancouver, British Columbia
February 7, 2003

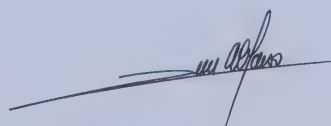
Balance Sheets

As at December 31 (in thousands of dollars)

	2002	2001 (see note 2)
ASSETS		
Current assets		
Cash	\$ 1,894	\$ 950
Accounts receivable (note 3)	10,923	10,882
Income taxes receivable	1,388	964
Inventories (note 4)	10,520	13,126
Prepaid expenses	372	565
Future income tax benefit (note 12)	401	391
	25,498	26,878
Property, plant and equipment (note 5)	23,941	15,359
Deferred expenses (note 2)	65	147
	<u>\$ 49,504</u>	<u>\$ 42,384</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Promissory note (note 7)	\$ 675	\$ 725
Accounts payable and accrued liabilities	14,343	12,567
Current portion of long-term obligations (note 8)	30	58
	15,048	13,350
Long-term obligations (note 8)	389	232
Future income taxes (note 12)	1,016	661
	16,453	14,243
Shareholders' equity		
Share capital and contributed surplus (note 9)	18,688	18,651
Retained earnings	14,363	9,490
	33,051	28,141
	<u>\$ 49,504</u>	<u>\$ 42,384</u>

Commitments (note 14)**APPROVED BY THE BOARD OF DIRECTORS**


D. Selman, Director



J. Alfonso, Director

See accompanying notes to these financial statements.

Statements of Earnings and Retained Earnings

For the years ended December 31 (in thousands of dollars except per share amounts)

	2002	2001 (see note 2)
Net sales (note 2)	\$ 104,071	\$ 95,715
Cost of sales	67,528	61,030
Gross profit	36,543	34,685
Selling, general & administrative expenses (note 2)	26,547	25,638
Amortization	2,446	2,324
Interest expense (note 10)	89	106
Loss (gain) on capital dispositions	7	(308)
	29,089	27,760
Earnings before income taxes	7,454	6,925
Income taxes (note 12)	2,581	2,550
Net earnings	4,873	4,375
Retained earnings, beginning of year	9,490	5,115
Retained earnings, end of year	\$ 14,363	\$ 9,490
Earnings per share (note 15)		
Basic	\$ 0.46	\$ 0.41
Diluted	0.45	0.41

See accompanying notes to these financial statements.

Statements of Cash Flows

For the years ended December 31 (in thousands of dollars)

	2002	2001 (see note 2)
Cash provided by (used in):		
Operating activities		
Net earnings	\$ 4,873	\$ 4,375
Non-cash items:		
Amortization of tangible assets	2,365	2,289
Amortization of deferred expenses	81	35
Loss (gain) on capital dispositions	7	(308)
Future income taxes (note 12)	346	76
Other	186	20
	7,858	6,487
Changes in non-cash working capital items (note 13)	4,060	(2,457)
	11,918	4,030
Financing activities		
Capital lease payment	(58)	(88)
Shares purchased and cancelled	(6)	—
Proceeds from issue of shares	43	280
	(21)	192
Investing activities		
Proceeds on capital dispositions	6	441
Capital expenditures	(10,959)	(2,913)
	(10,953)	(2,472)
Increase in cash position	944	1,750
Cash (bank indebtedness), beginning of year	950	(800)
Cash, end of year	\$ 1,894	\$ 950
Supplemental information on cash flows		
Interest paid	\$ 66	\$ 74
Income taxes paid	2,660	3,460

See accompanying notes to these financial statements.

Notes to the Financial Statements

For the years ended December 31, 2002 and 2001

1. Significant Accounting Policies

(a) Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. During 2001, the Company wound up its two remaining, wholly-owned, inactive subsidiaries and, as a result, these financial statements are no longer consolidated.

(b) Inventories

Raw materials and supplies are recorded at the lower of cost, determined on a weighted average basis, and replacement cost.

Finished goods are recorded at the lower of cost and net realizable value. Finished goods include the cost of direct labour, direct materials and variable overheads related to production, applied at a standard rate which is in line with actual costs. Fixed overhead costs related to production are considered a period cost and, as such, are not included in valuing inventory but are expensed in the period they are incurred.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost, net of investment tax credits. The Company uses the straight-line method of providing amortization over the estimated lives of the property, plant and equipment as follows:

Buildings	15–40 years
Equipment	
- Processing	5–25 years
- Other	3–12 years

(d) Goodwill

Effective January 1, 2002, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") with respect to goodwill and other intangible assets. This new accounting standard requires that goodwill and intangible assets with indefinite lives no longer be amortized and instead will be subject to an annual impairment assessment. Application of this new accounting policy did not have a material impact on the financial position and results of operations as at and for the year ended December 31, 2002 as goodwill had been fully amortized. Goodwill amortization recorded during the year ended December 31, 2001 amounted to \$35,000.

(e) Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the time of the transactions. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated at the current rate of exchange. Exchange gains and losses arising on translation of foreign currency denominated monetary items are included in the determination of net income for the current period.

(f) Foreign exchange forward contracts

Future foreign exchange contracts are utilized in connection with significant purchases and sales denominated in foreign currencies. The Company enters into forward exchange contracts to manage the impact of foreign exchange market fluctuations on assets, liabilities or other contractual commitments. The Company defers the impact of changes in the market value of these contracts until such time as the associated transaction is completed.

Notes to the Financial Statements

For the years ended December 31, 2002 and 2001

1. Significant Accounting Policies (continued)

(g) Stock-based compensation plans

The Company has stock-based compensation plans which are described more fully in note 9. Contributions by the Company to the employees' stock purchase plan, which is available to all permanent full-time and part-time employees, are recorded as a compensation expense. Shares are purchased on an eligible employee's behalf by the Company's plan administrator.

Effective January 1, 2002, the Company adopted the new recommendations of the CICA with respect to stock-based compensation and other stock-based payments which encourage, but do not require, the use of a fair value based method to record stock-based compensation to employees. As no stock options or stock-based payments were issued to employees during the years ended December 31, 2002 and 2001, and at present the Company does not have any plans to grant such options, the application of this new accounting standard had no material impact on the results of operations and financial position of the Company or the related financial statement disclosure.

(h) Revenue recognition

Sales are recognized upon the shipment of finished goods to customers when collectibility of proceeds is reasonably assured.

(i) Use of estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses disclosed during reporting periods. The actual amounts could differ from those estimates.

2. Change in Accounting Policy

(a) Reclassification of sales and selling expenses

Effective December 31, 2002, the Company changed its method of classifying certain sales discounts, promotions and product listing fees paid to customers such that sales are now recorded net of these costs. Previously these costs were included in selling, general and administrative expenses. Cooperative advertising costs paid to customers that could have been purchased from an unrelated third party continue to be classified as selling, general and administrative expenses. This change results in a reclassification of sales and expenses on the statement of earnings but does not result in a change in net earnings in the current or prior year.

The change results in a decrease in sales for 2002 and 2001 of \$4,807,000 and \$5,377,000, respectively and a decrease in selling, general and administrative expenses for 2002 and 2001 of \$4,807,000 and \$5,377,000, respectively.

(b) Marketing and product launch costs

Effective December 31, 2002, the Company changed its accounting policy with respect to certain marketing and product launch costs to record them as an expense when incurred. Previously these costs, consisting principally of package development costs and listing fees for new products and extensions to existing products, were deferred and amortized over the life of the product to a maximum of 36 months.

This change was applied retroactively and resulted in a reduction in retained earnings of \$312,000, an increase in income taxes receivable of \$125,000 and a reduction in deferred costs of \$487,000 at January 1, 2001. The change resulted in a decrease in net earnings of \$839,000 in 2001 and \$150,000 in 2002. Basic and diluted earnings per share decreased \$0.08 per share in 2001 and \$0.01 per share in 2002.

Notes to the Financial Statements

For the years ended December 31, 2002 and 2001

3. Accounts Receivable (in thousands of dollars)

	2002	2001
Trade	\$ 10,153	\$ 10,068
Other	770	814
Total	\$ 10,923	\$ 10,882

4. Inventories (in thousands of dollars)

	2002	2001
Raw materials and supplies	\$ 6,479	\$ 6,256
Finished goods	4,041	6,870
Total	\$ 10,520	\$ 13,126

5. Property, Plant and Equipment (tabular amounts in thousands of dollars)

	Cost	2002 Accumulated Amortization	Net Book Value	2001 Net Book Value
Land and improvements	\$ 449	\$ -	\$ 449	\$ 424
Buildings	14,825	9,387	5,438	5,828
Processing equipment	37,228	20,372	16,856	7,445
Other equipment	6,352	5,154	1,198	1,662
Total	\$ 58,854	\$ 34,913	\$ 23,941	\$ 15,359

Buildings, processing and other equipment includes capitalized equipment and projects under construction of \$55,000 (2001 - \$403,000) and expenditures on food processing and packaging equipment of \$8.5 million (2001 - nil), which will not be amortized until the assets are put in use. In addition, other equipment includes capital assets financed by a capital lease with a net book value of \$113,000 (2001 - \$168,000).

6. Bank Indebtedness

The Company has a \$15.0 million operating line of credit with a Canadian bank. Any loans outstanding bear interest at the bank's prime lending rate (December 31, 2002 - 4.5%). This facility is secured by a general assignment of book debts and an assignment of inventories and demand debentures creating a fixed and floating charge over all Company assets.

7. Promissory Note

The promissory note, due on demand in the amount of \$675,000 (2001 - \$725,000), is secured by a letter of credit and bears interest at the bank prime rate plus 0.25%.

Notes to the Financial Statements

For the years ended December 31, 2002 and 2001

3. Long-Term Obligations (tabular amounts in thousands of dollars)

	2002	2001
Capital lease obligations repayable in monthly payments of \$3,319 including interest calculated at an average financing rate of 6.75%, secured by specific equipment	\$ 42	\$ 99
Post-employment benefits (note 11)	377	191
	419	290
Less current portion of:		
Capital lease obligations (net of imputed interest of \$3,188)	(30)	(58)
Total	\$ 389	\$ 232

The Company's capital lease obligations expire by the end of December 2004. Minimum future cash payments required under capital leases are as follows:

2003	\$ 32
2004	13
Less: imputed interest	(3)
Total	\$ 42

In November 2001, the Company cancelled a stand-by long-term bank facility of \$4.0 million.

9. Share Capital**Authorized**

100,000,000	Common shares without par value ("Common shares")
200	Preference shares of \$6,750 par value ("Preference shares")

Common shares

The Common shares are fully participating and without par value.

Preference shares

At December 31, 2002, there are 200 Sun-Rype Preference shares authorized with a par value of \$6,750 each, none of which are issued or outstanding.

Shareholder rights plan

In 1994, the Company adopted a shareholder rights plan to deter coercive and/or unfair takeover strategies, which was subsequently amended at the Company's Annual General Meeting in 2001. Under the terms of the amended rights plan (the "Rights Plan") the Company has authorized the issue of one right for each Common share issued on or subsequent to the date the Rights Plan was adopted. Generally, if any person or group makes a takeover bid not permitted under the Rights Plan, or acquires 20% or more of the Company's outstanding shares without complying with the Rights Plan, the Rights Plan will entitle those holders of rights to purchase, in effect, shares of the Company at 50% of the then market price.

For the years ended December 31, 2002 and 2001

4. Share Capital

Employee share purchase plan

The Company has an employee share purchase plan ("ESPP") enabling all permanent full and part-time employees to acquire Common shares through payroll deductions with financial assistance provided by the Company. The shares are purchased by the administrator of the ESPP on either the open market, from the Company or from such other sources as designated by the board of directors. The aggregate number of treasury shares which may be purchased by the administrator is limited to 400,000 shares, subject to specified exceptions. Eligible employees may contribute monthly an amount which shall not exceed 7% of salary and the Company has agreed to contribute 35% of the amount contributed by each eligible employee. All funds and equity shares held by the administrator pursuant to the ESPP are held for the account of the individual eligible employee.

Issued and fully paid capital (tabular dollar amounts in thousands)

	2002		2001	
	Shares	\$	Shares	\$
Common shares				
Opening balance	10,642,200	\$ 17,277	10,507,200	\$ 16,997
Issued for cash	20,000	43	135,000	280
Repurchased and cancelled	(1,000)	(2)	—	—
Closing balance	<u>10,661,200</u>	<u>17,318</u>	<u>10,642,200</u>	<u>17,277</u>
Contributed surplus				
Opening balance		1,374		1,374
Excess of cost over book value on repurchased and cancelled shares		(4)		—
Closing balance		<u>1,370</u>		<u>1,374</u>
Total		<u>\$ 18,688</u>		<u>\$ 18,651</u>

Normal course issuer bid transactions

During 2002 and 2001, the Company maintained normal course issuer bids ("NCIB"s), allowing shares to be repurchased for cancellation. During the year 2002, 1,000 (2001 - nil) shares were repurchased for cancellation at an average price of \$6.40 per share for a total consideration of \$6,400. The excess cost (over book value) of approximately \$4,000 for the repurchased and cancelled shares was applied to contributed surplus.

Stock option transactions

The Company has a stock option plan which provides options to purchase Common shares of the Company for its employees, officers and directors. The options granted pursuant to this plan are exercisable at a price equal to or greater than the fair market value of the Common shares at the time the options are granted. At December 31, 2002, the maximum number of shares reserved and issuable under the stock option plan was 230,000 Common shares.

Notes to the Financial Statements

For the years ended December 31, 2002 and 2001

9. Share Capital (continued)

	Issued And Outstanding Options	Weighted Average Price
Outstanding at January 1, 2001	385,000	\$ 2.25
Exercised during 2001	(135,000)	2.07
Outstanding at December 31, 2001	250,000	2.34
Exercised during 2002	(20,000)	2.13
Outstanding at December 31, 2002	<u>230,000</u>	2.36

The following table summarizes the options outstanding and exercisable at December 31, 2002:

Number of Options Outstanding and Exercisable	Average Remaining Life (years)	Weighted Average Exercise Price
160,000	1.0	\$ 2.00
32,500	1.5	2.25
37,500	2.0	4.00
<u>230,000</u>	1.2	2.36

Shares reserved for future issuance

As at December 31, 2002, the Company has 630,000 Common shares reserved for issuance pursuant to the following:

Employees, directors and officers share option plan	230,000 shares
Employee share purchase plan	<u>400,000</u>
	<u>630,000</u> shares

Shares under the employee share purchase plan are currently purchased on the open market and the share plan administrator has not used any of the 400,000 shares reserved in Treasury.

10. Interest Expense (in thousands of dollars)

	2002	2001
Short-term interest expense	\$ 85	\$ 82
Long-term interest expense	4	24
Total interest expense	<u>\$ 89</u>	<u>\$ 106</u>

11. Post-Employment Benefits (tabular dollar amounts in thousands)

The Company maintains a defined contribution (money purchase) pension plan for substantially all of its salaried employees. Pension costs charged to earnings for the defined contribution plan were \$203,000 in 2002 (2001 - \$222,000).

Under the terms of certain employment agreements with selected senior officers, the Company provides for compensation to be paid to the individuals at the date they cease their employment. These obligations, including any past service costs resulting from amendments to the compensation arrangements, are accrued on a straight-line basis over the expected average remaining service period of the employee.

Details of the expense charged to earnings and the accrued benefit obligation are as follows:

	2002	2001
Compensation expense	\$ 187	\$ 31
Accrued benefit obligation at December 31, 2002	377	191

At December 31, 2002, the estimated amount payable, on settlement, is \$841,000.

Notes to the Financial Statements

For the years ended December 31, 2002 and 2001

12. Income Taxes (tabular dollar amounts in thousands)

Differences between the statutory income tax rate applicable to the Company and the Company's effective income tax rate applied to net earnings consist of the following:

	2002		2001	
Income tax provision at the combined basic Canadian federal and provincial rate	\$ 2,967	39.8%	\$ 3,054	44.1%
Adjustment in income tax rate resulting from:				
Manufacturing and processing deduction	(298)	(4.0)	(471)	(6.8)
Non-deductible expenses	95	1.3	96	1.4
Other	(183)	(2.5)	(129)	(1.9)
Effective income tax provision	\$ 2,581	34.6%	\$ 2,550	36.8%
The income tax provision consists of the following:				
Current tax expense	\$ 2,236		\$ 2,474	
Future income tax expense	345		76	
Total income tax provision	\$ 2,581		\$ 2,550	

Significant components of future income tax assets and liabilities include:

	2002	2001
Accrued liabilities	\$ 559	\$ 485
Losses and other deductions	151	314
Less: valuation allowance	—	(158)
Future income tax asset	710	641
Capital assets	(1,302)	(856)
Other	(23)	(55)
Future income tax liability	(1,325)	(911)
Net future income tax liability	\$ (615)	\$ (270)

The net future income tax liability is broken down as follows:

	2002	2001
Future income tax benefit (current)	\$ 401	\$ 391
Future income tax liability	(1,016)	(661)
Net future income tax liability	\$ (615)	\$ (270)

As at December 31, 2002, the Company has capital loss carry forwards of approximately \$844,000 available to reduce future capital gains (2001 - \$1,600,000). The Company has recognized the benefit associated with \$844,000 of these capital loss carry forwards in the financial statements (2001 - \$826,000).

13. Changes in Non-Cash Working Capital Items (in thousands of dollars)

	2002	2001
Accounts receivable	\$ (41)	\$ (2,160)
Inventories	2,606	(2,982)
Prepaid expenses	193	(140)
Accounts payable and accrued liabilities	1,726	3,569
Income taxes	(424)	(744)
Total	\$ 4,060	\$ (2,457)

Notes to the Financial Statements

For the years ended December 31, 2002 and 2001

14. Commitments

(a) The Company has entered into operating lease and rental commitments for certain processing and office equipment and office space for the next five years as follows:

2003	\$ 417,331
2004	402,985
2005	187,283
2006	99,346
2007	84,409

(b) Under the terms of a processing and filling systems agreement, the Company is committed to purchasing a minimum number of units of beverage packaging material annually until 2009, or it would be liable for an annual penalty of \$775,000. Management estimates that penalties would only be payable in the event of a dramatic decline in market demand.

15. Earnings Per Share

Basic earnings per share are computed using the weighted average number of Common shares outstanding during the period. The weighted average number of shares outstanding in 2002, on a non-diluted basis, was 10,658,006 (2001 - 10,582,871). Diluted earnings per share are calculated using the diluted average number of Common shares outstanding during the year of 10,755,879 shares (2001 - 10,687,551 shares). This reflects the dilutive effect of exercising all of the Company's share purchase options (see note 9).

16. Financial Instruments and Credit Risk

The Company's financial instruments include accounts receivable, income taxes receivable, a promissory note, accounts payable and accrued liabilities and long-term obligations, for which the carrying values approximate fair values. The Company also utilizes foreign exchange forward purchase contracts from time to time to hedge risks associated with anticipated future purchases.

As at December 31, 2002, the Company had currency exposures related to forward purchase contracts for Euro funds to purchase new food processing and packaging equipment. The contracts had an aggregate face value of \$952,000 Cdn (2001 - nil). At December 31, 2002, the Company would have realized a gain of \$110,000 (2001 - nil) to settle these foreign currency forward purchase contracts, if they had been liquidated on that date.

Credit risk is the risk of loss from non-performance of suppliers, customers or financial counterparties to a contract. The Company maintains credit policies which management believes significantly minimize overall credit risk. These policies include a review of a counterparty's financial condition, measurement of credit exposure and monitoring of concentration of exposure to any one customer or counterparty. The Company's customers consist mainly of wholesale and retail grocery suppliers and food distributors principally located in western Canada. The Company's seven largest customers comprise approximately 78% of sales activity (2001 - 75%). At December 31, 2002, 80% (2001 - 88%) of accounts receivable was attributable to these seven customers.

17. Segmented Information

The Company operates in one industry segment, the wholesale grocery business in Canada. Financial statements have therefore not been segmented.

18. Comparative Figures

Certain of the prior years' comparative figures have been reclassified to conform to the classifications used in 2002.

Corporate Governance at Sun-Rype

Corporate Governance Since our earliest days as a fruit growers' co-operative, sound corporate governance has been a fundamental and guiding principle at Sun-Rype. We believe that corporate governance is inextricably linked to a company's long-term performance. Furthermore, it is essential for creating a balanced decision-making environment that ensures responsiveness to the needs of various stakeholder groups. At the 2000 Annual General Meeting, Sun-Rype's capital structure was reorganized, cancelling the Class A multiple voting shares previously held by the BC Fruit Growers' Association ("BCFGA") and redesignating the Class B subordinate voting shares as Common shares, thereby placing voting control exclusively with Sun-Rype's equity investors on a one share, one vote basis. While the Company maintains a close working relationship with the BCFGa, we have welcomed the opportunity to fully democratize the Company's capital structure as well as enhance the diversity of the board. With these changes, Sun-Rype continues to comply with both the letter and the spirit of the Toronto Stock Exchange ("TSX") Guidelines on Corporate Governance including: the separation of the CEO and Chairman posts and the maintenance of a majority of independent directors on the board. For a complete description of the Company's corporate governance practices relative to each of the 14 guidelines, please refer to Sun-Rype's 2003 Management Information Circular.

Board Of Directors

Jess Alfonso * *elected as a director in 2001*

Mr. Alfonso is the owner and President of Seamark Development Corp. He is also Vice President and director of Pacific Opportunity Company Ltd., and holds a Master of Science in Industrial Administration.

Lawrence Bates *President and Chief Executive Officer*

Appointed to the board as President and Chief Executive Officer in 1998, Mr. Bates is a 35-year veteran of the Company who has held senior positions in general management, sales, and marketing.

Robert Dawson * *elected as a director in 1981*

A non-practicing lawyer, Mr. Dawson is the owner of Dawson Orchards, Chairman of the Okanagan Valley Tree Fruit Authority and director of Okanagan Similkameen Co-operative Growers Association.

Merv Geen **† *Chairman of the Board*

Chairman since 1992, and a director of Sun-Rype since 1987, Mr. Geen also serves as a director of Kettle Mountain Ginseng Co. Ltd. and is a former orchardist and director of BC Tree Fruits Ltd. and BC Fruit Packers.

Michael Korenberg ** *elected as a director in 2001*

Mr. Korenberg is Managing Director, Vice Chairman of The Jim Pattison Group and is on the boards of Slocan Forest Products and Westshore Terminals. He was formerly Deputy Chairman and COO of Orca Bay Sports & Entertainment and a partner of Blake, Cassels & Graydon.

Tim McElvaine † *elected as a director in 2001*

Mr. McElvaine is President of McElvaine Investment Management Ltd. providing investment counsel to The McElvaine Investment Trust and The McElvaine Investment Limited Partnership. He holds both CA and CFA designations.

Donald Selman *† *elected as a director in 2001*

Mr. Selman is a senior partner of Wolrige Mahon, a CA firm. He specializes in acquisitions, business valuations, litigation support and forensic accounting, and holds several professional designations.

Michael Tindall ** *elected as a director in 2001*

Mr. Tindall is the owner of Teambuilders Marketing, the Manager of the Vernon Chamber of Commerce, and the former Vice President, Sales, for Telemedia Radio (West) Inc. He also serves on the board of the Okanagan University College Foundation.

Officers & Senior Management

Lawrence Bates President and Chief Executive Officer

Robert McGowan Vice President, Finance & Administration, Chief Financial Officer

Brad Buchanan Vice President, Sales & Marketing

Robert Dick Vice President, Manufacturing

Gail Prichard Corporate Secretary

* Members of the Audit Committee

** Members of the Nominating/Governance Committee

† Members of the Executive Committee

Five-Year Historical Review

Dollar amounts in thousands except per share amounts

Operating Results	2002	2001 ^{1,2}	2000 ^{1,2}	1999 ^{1,2,3}	1998 ^{1,2,3}
Net sales ¹	\$ 104,071	\$ 95,715	\$ 90,877	\$ 92,355	\$ 79,879
Gross profit	36,543	34,685	32,338	32,955	25,151
Gross profit %	35.1%	36.2%	35.6%	35.7%	31.5%
Selling, general and administrative expense ^{1,2}	\$ 26,547	\$ 25,638	\$ 22,551	\$ 22,489	\$ 17,794
Other ⁴	7	(308)	(835)	-	467
EBITDA	9,989	9,355	10,622	10,466	6,890
Depreciation and amortization ²	2,446	2,324	2,521	2,530	2,192
EBIT	7,543	7,031	8,101	7,936	4,698
Interest expense	89	106	433	610	1,230
EBT	7,454	6,925	7,668	7,326	3,468
Income taxes	2,581	2,550	2,740	2,806	1,291
Net earnings	4,873	4,375	4,928	4,520	2,177

Financial Position and Cash Flow

Working capital	10,450	13,528	8,106	4,273	5,391
Invested capital	33,768	28,965	25,586	20,576	25,917
Total assets	49,504	42,384	34,397	35,716	35,178
Interest bearing debt	717	824	1,712	3,194	13,514
Shareholders' equity	33,051	28,141	23,874	17,382	12,403
Cash from operating activities before changes in non-cash working capital items	7,858	6,487	6,626	7,177	4,415
Cash from operating activities	11,918	4,030	3,650	11,273	12,422
Capital expenditures	10,959	2,913	3,806	1,175	1,742

Financial Ratios

Net earnings as % of net sales	4.7%	4.6%	5.4%	4.9%	2.7%
After-tax return on average equity	15.9%	16.8%	23.9%	30.4%	13.9%
After-tax return on average assets	10.6%	11.4%	14.1%	12.8%	4.3%
Pre-tax (EBIT) return on average invested capital	24.0%	25.8%	35.1%	34.1%	12.9%
Current ratio	1.7	2.0	1.7	1.2	1.4
Debt:equity ratio	0.0	0.0	0.1	0.2	1.1

Per Share Information

Average shares outstanding (000's)	10,658	10,583	10,004	9,983	9,908
Earnings/share	\$ 0.46	\$ 0.41	\$ 0.49	\$ 0.45	\$ 0.22
Cash flow/share	0.74	0.61	0.66	0.72	0.45
Book value/share	3.10	2.66	2.39	1.74	1.25
Share price - high	8.00	6.60	4.25	3.75	2.50
- low	5.75	3.85	3.20	1.05	1.05
- close	6.50	6.45	4.15	3.50	1.40

Operating Data

Apple tons (t) processed	43,018t	53,583t	40,543t	48,452t	39,989t
Average apple price (per ton)	\$ 109	\$ 96	\$ 160	\$ 107	\$ 90
JDN market share (12 x 1-litre case equiv) ⁵	24%	23%	21%	23%	22%
Total apple juice & apple drinks market share (\$ volume) ⁵	56%	55%	52%	54%	50%
Total fruit snacks market share (\$ volume) ⁶	31%	29%	27%	25%	19%

1 All prior years have been restated to reclassify certain sales discounts, promotions and product listing fees paid to customers, formerly included in selling, general and administrative expenses, as a reduction of sales, in accordance with new Financial Accounting Standards Board (US) guidance. This change results in a reclassification of sales and expenses on the statement of earnings but does not result in a change in net earnings in the current or prior year.

2 All prior years have been restated to reflect a change in accounting policy to expense, when incurred, certain marketing and product launch costs. Previously these costs, consisting principally of package development costs and listing fees for new products and extensions to existing products, were deferred and amortized over the life of the product to a maximum of 36 months. The effect on earnings in each year is to reduce amortization expense and add actual total launch cost expenditures to selling, general and administrative expenses.

3 1999 has been restated to reflect a change in accounting policy for future income taxes and employee future benefits. The effect of the change in accounting policy on 1999 opening retained earnings of \$249,000 has reduced 1998 ending "shareholders' equity" but has not been reflected in "net earnings" for 1998.

4 Other includes: discontinued subsidiary operations in China in 1998; gain on the sale of the US "Fruit to Go" trademark in 2000; sale of land and China equipment in 2001; sale of fixed assets in 2002.

5 ACNielsen MarketTrack, Total West, Grocery 3 Channels, 52 weeks ended December of each year.

6 ACNielsen MarketTrack, National, Grocery 3 Channels, 52 weeks ended December of each year.

SHAREHOLDER INFORMATION

Auditors

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Vancouver, BC V1Y 2B3

Legal Counsel

Pushor, Mitchell & Company
Kelowna, BC

Fraser Milner Casgrain LLP
Vancouver, BC

Banker

Bank of Montreal
Vancouver, BC

Registrar and Transfer Agent

Computershare Trust Company
510 Burrard Street, 2nd floor
Vancouver, BC V6C 3B9

CORPORATE INFORMATION

Requests for a copy of this
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information or shareholder
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1165 Ethel Street
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tel: 250 470 6405
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e-mail: investor@sunrype.com
www.sunrype.com

2003 ANNUAL GENERAL MEETING

May 29, 2003
2:00 pm (local time)
Okanagan University College
North Kelowna Campus
3180 College Way
Kelowna, BC

